



NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 00-12

SUBJECT: Criteria for Bulletin 132-00

DATE:

JUN 06 2000

FROM:

[Signature]
Director, Department of Water Resources

Attached for your information are copies of "Criteria for Bulletin 132-2000 Project Operation Studies" and "Interest and Escalation Rates for Preparing Bulletin 132-2000."

These criteria are being used by the Department of Water Resources to prepare information for Bulletin 132-2000, "Management of the California State Water Project" and to determine Water Contractors' Statements of Charges for the year 2001.

If you have any questions, please contact Dan Flory, Chief of the Department's State Water Project Analysis Office, at (916) 653-4313 or Dave Knock, Chief of the Department's Financial Analysis Section, at (916) 653-1894.

Attachment

CRITERIA FOR BULLETIN 132-2000 PROJECT OPERATIONS STUDIES

1. **Water Deliveries.** Water demands for the water operation studies will be based on the short-range, five-year (2000-2004) requests submitted by the contractors in October 1999 and the long-range (2005-2035) requests submitted by the water contractors in October 1998.
2. **Water Supply.** The water and power studies will reflect compliance with the 1995 modification of SWRCB Decision 1485 (June 8, 1995, Order 95-6), the long-term NFS Winter Run Biological Opinion as amended on May 17, 1995 and the long-term USFWS Delta Smelt Biological Opinion dated March 6, 1995. The water supply assumed for water and power operation studies will be as follows:
 - (a) **2000** – The initial operations study for 2000 will assume hydrology sufficient to deliver 3.62 MAF (includes 0.34 MAF of "sellers water" to be stored in San Luis Reservoir and made available for later delivery to buyers and provides for 0.26 MAF of 2000-2001 extended carryover water). Projections of power generation at Oroville will be based on the Oroville Reservoir inflow from the same hydrology. For generation at Pine Flat Reservoir, lower quartile inflow will be assumed. The 2000 water deliveries and water and power operations studies will be reviewed and finalized in March 2000 when the water supply forecast based on March 1, 2000 snow surveys becomes available.
 - (b) **2001** – State Water Project operations projected for 2001 are the basis for the 2001 Statements of Charges. The study will assume hydrology sufficient to deliver 3.45 MAF (contractors' projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (c) **2002** – The 2002 studies will assume hydrology sufficient to deliver 3.47 MAF (contractors' projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (d) **2003** – Assume hydrology sufficient to deliver contractors' projected entitlement requests of 3.29 MAF.
 - (e) **2004** – Assume hydrology sufficient to deliver contractors' projected entitlement requests of 3.33 MAF.
 - (f) **2005** and thereafter – Assume hydrology sufficient to deliver contractors' projected entitlement requests of 3.79 MAF.

3. **Future Project Facilities.** The schedule for initial operation of future project facilities to be used when preparing information for Bulletin 132-2000 is shown in the table on page 4. Future facilities include Phase I of the proposed East Branch Extension to the San Geronio Pass Water Agency service area.

4. **Water Supply Augmentation**

- (a) **Delta Pumps.** The total capacity of Banks Pumping Plant is 10,300 cfs; however, actual daily pumping volumes will be limited to the requirements specified in the U.S. Army Corps of Engineers permit (Public Notice 5820A, amended October 1981).
- (b) **South Delta Improvements Program.** This program is scheduled for implementation as one of the components of Stage 1 of the CALFED Bay-Delta Program to address local and SWP water supply problems in the south Delta. Facilities in the program include the following:
- Construction of up to four control structures. Up to three barriers are proposed in south Delta channels to control water levels and circulation in the south Delta. The fourth barrier will provide protection for salmon migrating along the San Joaquin River.
 - DWR will acquire a U.S. Army Corps of Engineers permit under Section 10 of the Rivers and Harbors Act to enable increased diversions into Clifton Court Forebay to match the existing maximum pumping capability of 10,300 cfs at Banks Pumping Plant. The additional diversion capacity will increase SWP delivery capability and operational flexibility by enabling more water to be diverted when impacts to Delta fish are less.
 - Construction of a new intake at the northeast or northwest corner of Clifton Court. If the northwest location is chosen, the intake structure will include a large siphon under Italian Slough. Selected dredging in Old River from the new intake location to Woodward Canal to enlarge channel capacity in the vicinity of the new intake. In addition, SDIP currently calls for construction of new fish screening facilities at Clifton Court; however, the costs of the fish facilities would not be paid for with Project funds.
 - Selected channel dredging in the south Delta and modification of local diversion structures. The magnitude of this activity will depend on whether a three agricultural barrier or two agricultural barrier (no Grantline Canal barrier) configuration is selected as the preferred alternative for SDIP.

- (c) Interim North Delta Facilities. The interim North Delta Facilities will not be assumed operational in the near future and are unscheduled at this time. The long-term CALFED Bay-Delta resolution process is expected to include a review of all options for fixing the Delta. In the meantime, the Department is suspending independent planning for Interim North Delta Facilities, which included channel dredging, levee improvements, testing of fish protective measures, wildlife and fisheries habitat enhancement, and enlargement of the Delta Cross Channel.
- (d) Ground Water Programs. On August 9, 1996, ownership of the Kern Fan Element Property and the La Hacienda Facilities was transferred to the Kern County Water Agency and Dudley Ridge Water District through the Kern Water Bank Authority as part of the Monterey Amendment. Fifty percent of any project water remaining in storage from the Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program was also transferred to KWBA. The SWP retains the right to recover 15,073 acre-feet under the recovery agreement with KCWA.
- (e) Other Project Yield. For purposes of preparing water and power studies for future years, it will be assumed that the Project will deliver full entitlement requests. Additional water supply needed to meet future delivery of requested entitlement water will be assumed to be available from development of unspecified future conservation facilities.

5. **Power Operations.** Annual energy prices in the western states' power markets have historically been highest during the on-peak hours and summer months. This pattern is currently anticipated to continue into the deregulated energy market. The aqueduct operation will be optimized to reduce power costs by minimizing on-peak and summer pumping within the constraints of operating criteria.

For Bulletin 132-2000, forecasted SWP power operations through the study period will be based on existing power sources. Additional capacity and energy resources needed to meet power requirements will be from unspecified purchases.

In 2000 and after, projected energy deficits will be met with spot market energy purchases based on prices in the California Power Exchange. By March 2000, the Department will conduct an energy study that will forecast annual on-peak and off-peak mill rates for 2000 and after. The mill rate forecasts will be used to determine power cost or revenue projections for energy purchased or sold on the open market.

FUTURE PROJECT FACILITIES	Dates for Initial Operation	
CALIFORNIA AQUEDUCT-EAST BRANCH East Branch Enlargement - Stage 2 Pearblossom Pumping Plant Units 10 & 11 (375 cfs) Alamo Powerplant - Unit 2 (1,506 cfs) East Branch Extension - Phase I	Bulletin 132-99	Bulletin 132-00
	Not Scheduled *	Not Scheduled *
	Not Scheduled *	Not Scheduled *
	March 2001	June 2002
CALIFORNIA AQUEDUCT-WEST BRANCH West Branch Enlargement Peace Valley Pipeline - second barrel Warne Powerplant - additional units Gorman Creek Channel Modification	Not Scheduled	Not Scheduled
	Not Scheduled	Not Scheduled
	October 2000	November 2001
DELTA FACILITIES Interim North Delta Facilities Interim South Delta Facilities Permanent Control Structures Additional Intake - Clifton Court Forebay	Not Scheduled	Not Scheduled
	June 2005	July 2007
	June 2002	December 2006
OTHER Los Banos Grandes Facilities Relocation of Project Operations Control Center Corporate Yard	Not Scheduled	Not Scheduled
	Not Scheduled	Not Scheduled
	Not Scheduled	Not Scheduled

* Final units assumed to be available for water and power operation studies to transport project water as needed to meet water delivery requests. Capital costs and minimum OMP&R costs of final units will not be included in Bulletin 132-2000 because of uncertainty of scheduling.

TABLE 1
INTEREST RATES TO BE USED IN PREPARING DATA AND
INFORMATION FOR BULLETIN 132-00
WATER CONTRACTORS' STATEMENTS OF CHARGES FOR 2001, AND
DEPARTMENT FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Interest Rate¹⁾</u> <u>Per Year</u>
1. Interest rates on future general obligation "Offset" bonds (If assumed sold) ²⁾	5.5% (5.5%)
2. Interest Rate for Water System Revenue Bond sale ³⁾	6.0% (6.0%)
3. Project Interest Rate for determining Statements of Charges for 2001	4.615% (4.615%)
4. Interest rate on future short-term investment of project funds ⁴⁾	6.5% (6.5%)

1) For the purposes of Department studies, these rates are to be used as the effective rates of interest. Figures in parentheses are Bulletin 142-99 assumptions.

2) Offset bonds are assumed to be repaid within 35 years of sale or shorter with maturities commencing in the year following the date of sale and with equal annual bond service for the principal repayment period.

3) All future revenue bonds are assumed to be repaid within 35 years of sale date or by the end of the Project repayment period (2035), whichever is shorter, with maturities commencing in the first year after the date of bond sale and with equal annual bond service for the principal repayment period.

4) Based on the expected rate of return for funds invested in the State's Surplus Money Investment Fund.

TABLE 2
BULLETIN 132-00
COST ESCALATION RATES
FOR SWP FACILITIES
TO BE USED FOR FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Percent Increase</u> <u>Per Year</u> ^{1), 2)}			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003-2035</u>
<u>Capital Costs</u>				
State Operations				
(Salaries and Benefits)	5 (5)	5 (5)	5 (5)	5 (5)
Construction, Direct Pay	3 (3)	3 (3)	4 (4)	4 (4)
Relocation, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
Land and Rights, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
<u>Operations and Maintenance Cost</u> ³⁾				
State Operations				
(Salaries and Benefits)	5 (5)	5 (5)	5 (5)	5 (5)

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- 1) Statements of Charges for the year 2001 and Bulletin 132-00 will be based on unescalated January 1, 2000 capital costs.
 - 2) All figures in parentheses were Bulletin 132-99 assumptions.
 - 3) Operation and Maintenance costs in the Statements of Charges for the year 2001 and in Bulletin 132-00 are to be escalated through 2002 and held at that level for the remainder of the Project repayment period. For specific Project studies requiring escalated costs, continue the percent rate for 2003-2035.